

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 069787

E. O. 11652: GDS

TAGS: CPRS, ID

SUBJ: SEA OIL CORP EFFORTS TO RECOVER ASSETS OF P. T. BAUD,
INDONESIA

REF: JAKARTA A-274, DECEMBER 12, 1972

1. GENERAL F. J. CHESAREK (RETIRED U. S. ARMY GENERAL), PRESIDENT OF CONSOLIDATED INVESTMENT AND DEVELOPMENT CORP, AND MR. CHARLES SULLIVAN, A BUSINESS ASSOCIATE, CALLED ON DEPUTY ASST SEC BARGER APRIL 12 TO DISCUSS SEA OIL AND GENERAL CORP' S EFFORTS TO RECOVER ASSETS OF P. T. BAUD, INDONESIA. CHESAREK SAID CONSOLIDATED INVESTMENT HAD EXTENSIVE OPERATIONS IN INDONESIA AND CLAIMED TO BE ON GOOD TERMS WITH GENERAL IBNU SUTOWO, ALI MURTOPO AND MADAME SUHARTO. CHESAREK HAS TAKEN OVER CONTROL OF SEA OIL AND GENERAL CORP AND THAT AS ITS NEW CHAIRMAN AND PRESIDENT, HE INTENDS TO PRESS AHEAD ENERGETICALLY TO WIND UP SEA OIL' S EFFORTS TO RECOVER ASSETS OF P. T. BAUD, INDONESIA.
2. CHESAREK HANDED BARGER A COPY OF LETTER DATED MARCH 10, 1973 FROM MINISTER OF STATE HAMENGKU BUWONO, IX TO MR. I. IRVING DAVIDSON, FORMER SEA OIL REP IN JAKARTA, WHICH REFERRED TO ESTABLISHMENT OF A NEGOTIATING TEAM UNDER
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THE CHAIRMANSHIP OF THE DIRECTOR GENERAL FOR AGARIAN AFFAIRS (SETJOWIBOWO) AND MADE FOLLOWING PROPOSALS FOR AMICABLE SETTLEMENT:

(A) GOVERNMENT AGREES TO GRANT P. T. BAUD A NEW TITLE ON THE CIKASONGKA AND TOGE ESTATES, SUBJECT TO AN OBLIGATION TO INVEST ACCORDING TO AN INVESTMENT SCHEME AND TO PAY PRESENT HOLDER, P. T. PERKEBUNAN IX, CONSIDERATION FOR INVESTMENTS MADE AND FOR HUSBANDRY OF THE ESTATES;

(B) GOVERNMENT IS PREPARED TO OFFER P. T. BAUD ONE OR MORE EXISTING ESTATES, OR ALTERNATIVELY, AN AREA OF LAND FOR THE DEVELOPMENT OF ESTATE CROPS AS A UNDERSCORE QUID PRO QUO END UNDERSCORE FOR THE CLAIM INVOLVING THE PAMEGATAN AND JATINANGOR ESTATES;

(C) FOR ESTATES CITED SUB- PARAS A AND B ABOVE, GOVERNMENT WILL GRANT 30 YEAR EXPLORATION RIGHTS AND OTHER FACILITIES UNDER FOREIGN INVESTMENT LAW.

3. TO ESTABLISH STRONG NEGOTIATING POSITION CHESAREK SAID SEA OIL HAD DECIDED TO WITHDRAW OFFER TO SETTLE AT APPROXIMATELY 6 MILLION DOLS MADE BY PREVIOUS OWNER ON AUGUST 4, 1972 AND TO SUBMIT A COUNTER OFFER REQUESTING SETTLEMENT ON BASIS OF TRUE VALUE, BOTH FOR THE PLANTATIONS AS GOING CONCERNS AND FOR THE EXPROPRIATION 19,580 ACRES OF FREEHOLD LAND. ACCORDING TO THESE REVISED CALCULATIONS, SEA OIL NOW CLAIMS A TOTAL OF 16,743,000 DOLS. CHESAREK NOTED THAT PREVIOUS CLAIM DID NOT TAKE INTO ACCOUNT INTEREST WHICH HAD ACCRUED FROM TIME OF EXPROPRIATION TO PRESENT.

4. CHESAREK SAID SEA OIL WOULD REGARD SULTAN' S LETTER OF MARCH 10 AS INVITATION TO NEGOTIATE AND THAT HE INTENDED UPON HIS RETURN TO INDONESIA NEXT MONTH TO APPROACH PRESIDENTIAL ASSISTANT ALI MURTOPO TO PROMOTE EXPEDITIOUS SETTLEMENT. (HE SAID HE HOPED IT WOULD NOT PROVE NECESSARY TO APPROACH MADAME SUHARTO, BUT IMPLIED HE WOULD DO SO IF NECESSARY. HE ADDED THAT AS ONE OF GENERAL IBNU' S BUSINESS CONTACTS HE WOULD BE RESIDING CONFIDENTIAL

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AT HIS PRIVATE GUEST HOUSE.)

5. SULLIVAN ASKED WHAT DEPT PREPARED TO DO TO SUPPORT SEA OIL' S EFFORTS TO RECOVER P. T. BAUD ASSETS. BARGER OUTLINED DEPT' S TRADITIONAL POSITION THAT U. S. COULD NOT ESPOUSE PRIVATE CLAIM UNTIL ALL LEGAL REMEDIES ARE EXHAUSTED. HE SUGGESTED THAT SINCE SULTAN' S LETTER CONSTITUTED A DEFINITE OFFER OF SETTLEMENT, SEA OIL WOULD DO WELL TO UNDERTAKE TO NEGOTIATE AS FAVORABLE AN AGREEMENT AS POSSIBLE. CHESAREK AGREED AND EXPRESSED

HOPE THAT HIS WILLINGNESS TO ACCEPT RUPIAHS AS COMPENSATION WOULD INCREASE CHANCES OF OBTAINING HIGHER SETTLEMENT. HE ALSO SAID HE WAS PREPARED TO ACCEPT LAND AND GO INTO RUBBER BUSINESS IF THIS WERE NECESSARY.

6. CHESAREK SAID HE HAD PROMISED FORMER OWNER OF SEA OIL THAT HE WOULD ASK STATE DEPARTMENT TO REQUEST THAT CHAIRMAN USDEL TO IGGI MEETING IN MAY SEEK SOME INFORMAL OPPORTUNITY TO MENTION P. T. BAUD CASE TO MINISTER WIDJOJO AND TO STRESS USG HOPE FOR EXPEDITIOUS SETTLEMENT. BARGER DOUBTED WHETHER ANY SUCH APPROACH WOULD BE EFFECTIVE SINCE WIDJOJO KNEW NOTHING OF CLAIM. FURTHERMORE, HE STRESSED IT WOULD BE FAR BETTER TO EMPLOY EMBASSY' S GOOD OFFICES IN JAKARTA TO REACH THOSE OFFICIALS WHO ARE IN POSITION TO DECIDE CLAIM. CHESAREK APPEARED TO AGREE, BUT SAID HE WAS UNDER OBLIGATION TO URGE U. S. TO SAY SOMETHING INFORMALLY ABOUT THE CLAIM AT IGGI. BARGER AGREED TO REVIEW MATTER WITH CHAIRMAN OF U. S. DELEGATION (MACDONALD).

7. TEXT OF SULTAN' S LETTER OF MARCH 10 AND SEA OIL' S REVISED CLAIM BEING FORWARDED BY POUCH. ROGERS

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